FISCAL UPDATE June 5, 2001

 Legislative Fiscal Bureau (515)-281-5279 FAX 281-8451

 <http://staffweb.legis.state.ia.us/lfb/>

*\*\*\*\*****Special Edition****\*\*\*\**

*Governor’s Item Vetoes*

Governor Item Vetoes HF 755 - Standing Appropriations Bill



**Item Vetoes – HF 755** The Governor item vetoed and signed HF 755, the Standing Appropriations Act, on May 22. Prior to the item vetoes, the Act reduced FY 2002 standing appropriations by $46.6 million and the Act appropriated $2.3 million for FY 2002 from the General Fund to the Department of Education and the Department of Human Services.

****

**Early Intervention Block Grant** The Governor item vetoed Section 7 which reduced the standing appropriation for the early intervention block grant, also known as the “class size reduction initiative”, by $10.0 million. The General Assembly had reduced this standing appropriation to $20.0 million for FY 2002. The Governor’s item veto of this reduction restores the funding that is authorized under Section 256D.5, Code of Iowa, to $30.0 million. The Governor stated, “…It makes no sense to embark on a new promising initiative focused on student achievement while cutting an existing, promising initiative that helps students achieve and puts more skilled teachers in the classroom. This initiative deserves to be funded at the planned level in the coming year……”

**Nonpublic School Trans.** The Governor item vetoed Section 10 which reduced the standing appropriation for nonpublic school transportation by an estimated $505,000. The veto restores the standing unlimited appropriation for this Program that requires the Department of Education to pay the approved claims of public school districts for transportation services for nonpublic school pupils. The estimated amount of this standing unlimited appropriation is approximately $8.2 million for FY 2001 and the Department estimates this amount to be $8.2 million in FY 2002. In his veto message the Governor stated, “…Besides providing necessary services for the efficient operation of schools in our state, this would require the Department of Education to prorate the amount of claims and would be a costly and time consuming exercise…”

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **IN THIS ISSUE:** | **Governor’s Item Vetoes:** | **Governor’s Item Vetoes (continued):** |
|  |  HF 755 – Standing, pg. 1  |  SF 530 – Justice System, pg. 7  |
|  |  HF 725 – Agriculture & Nat. Res., pg. 2  |  HF 719 – Oversight/Communications, pg. 8 |
|  |  SF 535 – Education, pg. 3 |  HF 742 – Infrastructure, pg. 9 |
|  |  HF 732 – Human services, pg. 4 |  |



**Phase III**  The Governor item vetoed Section 11 which reduced the amount appropriated for Phase III moneys under the Educational Excellence Program by $2.0 million. The General Assembly had reduced the FY 2002 standing appropriation for Educational Excellence to $78.9 million. The Governor’s veto of this reduction restores the funding authorized under Section 294A.25, Code of Iowa, to $80.9 million. The Governor stated, “…This initiative provides additional resources for teachers who add value to the regular school program and upgrade their skills. While a review of this program and how it may, over time, be refocused to better coordinate with the other teacher quality initiatives may be of value, an arbitrary reduction at this time is not wise…”

**Mental Illness Special Serv.** The Governor item vetoed Section 34 which required the Iowa Finance Authority to use $121,000 for community-based housing for persons with mental illness who are homeless. The Governor stated, “…Moody’s Rating Services has indicated that the use of reserve funds will adversely impact the Authority’s bond rating. A reduced bond rating will result in increased borrowing costs which will increase costs to first time home buyers….”

****

**Nonpublic School Textbooks** The Governor item vetoed Section 39 and 44 which required the Department of Education to ascertain a maximum annual amount a school district shall be required to use for the purchase of textbooks for accredited nonpublic schools. The Governor stated that “….These changes were added to this bill late in the legislative session, and did not receive adequate discussion or analysis…”

**Other Vetoes** The Governor item vetoed Section 42, and 48 which amended the Code of Iowa presuming passage of SF 514, the Property Tax Limitation Bill, which did not pass. Also vetoed was Section 58 which made corrective changes to the Code of Iowa relating to scheduled violations, contingent upon passage of SF 499, Scheduled Fines. The Governor signed SF 499.

**More Information** Copies of the enacted version of HF 755 and the veto message are available upon request from the Legislative Fiscal Bureau. The veto message can be found on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Holly Lyons (Ext. 17845) Jeff Robinson (Ext. 14614)

Governor Item Vetoes HF 725 - Agriculture and Natural Resources Appopriations Act



**Item Vetoes – HF 725** The Governor item vetoed and signed HF 725, the Agriculture and Natural Resources Appropriations Act, on May 25. The Act appropriates $35.5 million from the General Fund and 1,514.6 FTE positions. This is a decrease of $8.5 million (19.3%) and an increase of 9.5 FTE positions (0.6%) compared to the FY 2001 estimated net appropriation. The item vetoes include:

* Section 9 appropriates $350,000 from the Leopold Center appropriation from the Agricultural Management Account of the Groundwater Protection Fund. The Department of Agriculture and Land Stewardship was to receive $100,000 for the Pesticide Program in the Laboratory Division and the Department of Natural Resources was to receive $250,000 for the Environmental Protection Division. The Governor item vetoed the $100,000 to the Department of Agriculture and Land Stewardship.
* Section 10 appropriates $40,000 from the Forestry Management and Enhancement Fund to the Department of Agriculture and Land Stewardship for the Gypsy Moth Program. The Governor item vetoed this appropriation.

**Copies Available**  Copies of the enacted version of HF 725 and the veto message are available upon request from the Legislative Fiscal Bureau. The veto message can be found on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Governor Item Vetoes SF 535 - Education Appropriations Act

**Item Vetoes – SF 535** Governor Vilsack item vetoed and signed SF 535, Education Appropriations Act, on May 24. The Governor’s vetoes include:

* Standing Appropriations. The Governor vetoed three standing appropriation reductions for FY 2002 relating to the College Student Aid Commission. These vetoes have the effect of returning the level of funding to the FY 2001 funding level, which results in an increase in spending compared to final legislative action. These vetoes and the impact of each include:



Tuition Grant Program. The Governor’s veto restores funding to the FY 2001 level of $48.8 million. This is an increase of $2.5 million from the final legislative action and an increase of $1.1 million compared to the Governor’s revised recommendation for FY 2002.

Vocational-Technical Grant Program – The Governor’s veto restores funding to the FY 2001 level of $2.5 million. This is an increase of $149,000 from the final legislative action and an increase of $108,000 compared to the Governor’s revised recommendation for FY 2002.

State of Iowa Scholarship Program – The Governor’s veto restores funding to the FY 2001 level of $499,000. This is an increase of $30,000 from the final legislative action and an increase of $22,000 compared to the Governor’s revised recommendation for FY 2002.



* Changes to the Code of Iowa. The Governor also vetoed statutory language requiring community colleges and Regents institutions to obtain permission before entering into an agreement to transfer ownership of a radio broadcast license or station from the State Board of Education or the Executive Council, respectively.

**Copies Available**  Copies of the enacted version of SF 535 and the veto message are available upon request from the Legislative Fiscal Bureau. The veto message can be found on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Mary Shipman (Ext. 14617) Ron Robinson (Ext. 16256)

GOVERNOR ITEM VETOES HF 732 - HUMAN SERVICES APPROPRIATIONS ACT



**Item Vetoes – HF 732** The Governor item vetoed and signed HF 732, the Human Services Appropriation Act, for FY 2002, on May 31. The Act appropriates $777.2 million from the General Fund and 5,677.4 FTE positions. The Act also appropriates $148.9 million from the Temporary Assistance for Needy Families (TANF) for FY 2002. The Governor’s vetoes include:

* Iowa Marriage Initiative. Section 2, subsection 17, in its entirety. There was $500,000 of TANF funding appropriated for this Initiative. The Governor stated that he was unable to justify a new program, as funding came from child care programs to begin this program.
* A TANF Report. Section 2, subsection 18, first paragraph. The language required the Department of Human Services (DHS) to report on uses of TANF funding and how it met with purposes outlined in federal law. The Governor stated that this information is currently available without the need for an additional report.
* Electronic Benefit Transfer. Section 3, subsection 1(e)(2), in its entirety. The language required that the DHS expand its electronic system to include payments for child care and health care services. The Governor stated the idea was worth considering but resources to implement it were not provided.
* Case Study on Outcomes. Section 7, subsection 8, in its entirety. The language proposes that the DHS continue the case study for outcome based performance standards. The Governor stated the study has been completed and delivered to the Legislature.



* Drug Utilization Review. Section 7, subsection 16, in its entirety. The language proposes that the Drug Utilization Review Commission review the use of non-sedating antihistamines. The Governor stated that such a review has taken place and a further review would not be productive.
* Healthy and Well Kids in Iowa (HAWK-I). Section 9, subsection 2 in its entirety. The language directs the DHS to report on actual costs of providing coverage reported by each insurer participating in the HAWK-I Program. The Governor stated this would require the DHS to take on additional work at a time when funding has been reduced.



* HAWK-I. Section 9, subsection 4, in its entirety. The language directs the DHS to seek a waiver to permit families eligible for Medicaid to participate in HAWK-I. The Governor stated the same language was included in previous legislation and the proposal was submitted and rejected by the federal government.
* Managed Care Contracts. Section 10, subsection 1, in its entirety. The language would require the DHS to seek input and recommendations from legislative members prior to entering into or extending a managed care contract for mental health or substance abuse services. The Governor stated there currently exists a process for securing contracts and the language is not necessary.
* Relocation of Juveniles. Section 13, subsection 1, designated paragraph. The language requires the DHS to submit a plan for relocating males at the Toledo Juvenile Home to other facilities, thus making Toledo a female-only institution. The Governor stated the Legislature failed to fund the proposal.
* Toledo Juvenile Home. Section 13, subsection 1, designated paragraph. The language directs funding for two security guards and paving a parking lot at Toledo. The Governor stated the funding should be utilized for services directly affecting Iowa children and families. The funds will continue to be available to the Home.
* Tracking System at Juvenile Institutions. Section 13, subsection 6, in its entirety. The language requires the DHS to develop a reporting and tracking system for citations at juvenile institutions. The Governor stated that information is already available to the public, and in some instances can be accessed on the Department of Inspections and Appeals web site.



* Rehabilitation Service Providers. Section 14, subsection 18, in its entirety. The language permits the DHS to adopt emergency administrative rules regarding the qualifications of rehabilitative treatment service providers. The Governor stated that rules related to social worker qualifications are currently in process before the Human Services Council and that other items in this subsection require resources not available within the DHS.
* Services for Juvenile Females. Section 14, subsection 20, in its entirety. The Bill allocates $700,000 from the Child and Family Services appropriation for day treatment and aftercare services for juvenile females. The Governor stated that he is supportive of providing these services to both female and male juveniles. The DHS is currently allocating funds for these services and should work with local providers to determine the services that will best serve juveniles.
* Independence Mental Health Institute. Section 20, subsection 3(c), unnumbered paragraph 2, in its entirety. The language directs funding for two security guards at Independence. The Governor stated the funding should be utilized for services directly affecting Iowa children and families. The funds will continue to be available to the Institute.



REPORT

* Tracking System at Mental Health Institutes. Section 20, subsection 7, in its entirety. The language requires the DHS to develop a reporting and tracking system for citations at mental health institutes. The Governor stated that information is already available to the public, and in some instances can be accessed on the Department of Inspections and Appeals web site.
* Tracking System at State Resource Centers. Section 21, subsection 8, in its entirety. The language requires the DHS to develop a reporting and tracking system for citations at the State Resource Centers. The Governor stated that information is already available to the public, and in some instances can be accessed on the Department of Inspections and Appeals web site.
* Decatagorization of Funding. Section 24, subsection 1(b), Section 52, in its entirety, and Section 53, subsection 9, in its entirety. The language establishes a process for a pilot project for decatagorization of funding for adult mental health, mental retardation, and developmental disabilities services. The Governor stated support for the pilots, but the DHS lacks resources to staff the endeavor.
* Regional Offices. Section 27, subsection 2, in its entirety. The language eliminates the regional office administrative level with field operations. The Governor stated that duties required of the DHS, by law, were not reduced and will require these duties to be done by local level staff, thereby reducing time spent on work with families and to protect children.



* Additional Federal Funding. Section 28, subsections 2, 3, and 5, in their entirety. The language directs the director of the DHS to expand the community partnership approach to child protective services, and to work to secure additional funding. The Governor stated that these activities are currently taking place and that the community partnership approach in child protection is being expanded to more than sixty-five (65) counties.
* A Reports and Negotiations. Section 29, subsections 2, 3, and 4, in their entirety. The language in subsection 2 prohibits the DHS from reducing service funding for disability rehabilitation programs, statewide supported employment programs, or reduce drawdown of federal funding. Subsection 3 requires the DHS to report to designated persons within thirty (30) days of notice any future receipt of bonus, incentives, or other payments received by the State that may be used to supplement State funds appropriated to the DHS. Subsection 4 specifies legislative intent for the DHS to negotiate with the State of Nebraska to maximize use of resources. The Governor stated that these items require additional duties at a time when dollars and staffing have been reduced, and remaining resources should be directed toward providing services to needy Iowans.



* Pharmaceutical Manufacturer Rebates. Section 31, subsections 1(b)(2), in its entirety. The language requires the DHS to increase its efforts to collect pharmaceutical manufacturer rebates in order to meet the national average. The Governor stated that based on industry data, the State is currently collecting 99.10% of the national average.
* Co-payment on Pharmaceuticals. Section 31, subsection 1(b)(4), in its entirety. The language directs the DHS to implement a generic incentive patient co-payment program to encourage the dispensing and use of less costly pharmaceutical alternatives and establishes rates for
co-payment. The Governor stated this proposal increases fees for Iowa seniors, children, and people with special needs who do not have choices other than using a brand name drug.
* Study on Pay Disparity. Section 31, subsection 13, in its entirety. The language requires the DHS to conduct a study on pay disparity between State and private child care workers and report findings and a plan for reducing the disparity. The Governor stated this would require the DHS to take on additional work at a time when funding has been reduced.
* Equipment Purchase Moratorium. Section 51, subsection 1, first sentence. The language requires the DHS to eliminate the purchase of nonessential equipment for the balance of FY 2001. The Governor stated that the language is unnecessary since all departments have been directed to cease the purchase of nonessential equipment.

**Copies Available** Copies of the enacted version of HF 732 and the veto message are available upon request from the Legislative Fiscal Bureau or on the LFB web site at: http://staffweb.legis.state.ia.us/lfb.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 16764)

Governor Item Vetoes SF 530 - Justice System Appropriations Bill

**Item Vetoes – SF 530** The Governor signed SF 530, the Justice System Appropriations Bill, on May 30. The Bill appropriates $358.4 million and 5,995.2 FTE positions to the Departments of Justice, Corrections, Public Safety, and Public Defense, Board of Parole, State Public Defender’s Office, and the Iowa Law Enforcement Academy. This is a reduction of $16.3 million (4.3%) and 28.2 FTE positions (0.4%) compared to the FY 2001 estimated net appropriation. The General Fund appropriation represents a decrease of $13.5 million (3.6%) and 56.0 FTE positions (0.9%) compared to the Governor’s revised FY 2002 recommendation.



**Intent Language Item Vetoed** Senate File 530 contains intent language requiring the DOC to submit comprehensive reports to the co-chairs and ranking members of the Justice System Appropriations Subcommittee, and the Legislative Fiscal Bureau, concerning the Violator Program and the Intermediate Criminal Sanctions Program. The Governor vetoed language that stipulated what these reports need to include, stating it will “require the DOC to re-create requested data back to 1999. The ability to manually collect the required data, given the cutbacks to the correctional system is very limited and would produce a report of marginal value. I have instructed the DOC to continue to make best efforts to respond to individual cases as needed.”



REPORT

**County Confinement Veto** The Governor vetoed amendments to the Code of Iowa regarding county confinement, the account that reimburses counties for holding parole, work release, and Operating While Intoxicated (OWI) violators pending their return to the State prison system. The language stated that the average daily cost of confining a person in a county jail does not include administrative costs to be reimbursed by the DOC. The language also required counties seeking reimbursement from the DOC to use the U.S. Marshal Service’s cost sheet when submitting claims to the DOC. The Governor stated that the language “which intends to require the exclusion of administrative costs, would be a good start at addressing the specific costs to be included in the daily cost reimbursement. However, the proposed language is vague and the United States Marshal’s service cost sheet does not provide any definition of administrative support personnel costs. This provision may even markedly increase county confinement costs. The DOC has offered both a proposed bill and alternative clarifying language for consideration that involves paying a proportional share of daily direct security supervision costs. I have directed the DOC to negotiate further an acceptable daily reimbursement rate with each county.”

**Copies Available**  Copies of the enacted version of SF 530 and the veto message are available upon request from the Legislative Fiscal Bureau. The veto message can be found on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Dean (Ext. 17846)

Governor Item Vetoes HF 719 - Oversight and Communications Appropriations Act

**Item Vetoes – HF 719** The Governor item vetoed and signed HF 719, the Oversight and Communications Appropriations Act, on May 30. The Act appropriates a total of $18.9 million from the General Fund and 271.9 FTE positions to the four Departments of the Oversight and Communications Appropriations Subcommittee. This is a General Fund decrease of $4.0 million (17.4%) and 25.4 (10.3%) FTE positions compared to the FY 2001 estimated net appropriation. The item vetoes include:



* Section 4.1 requiring the Information Technology Department to notify the Department of Management (DOM) prior to any fee increases and requiring the DOM to submit a report to the Legislative Fiscal Bureau as any fee increases. The Governor stated that the two Departments will work cooperatively to examine any proposed fee or rate increases, without the necessity of this legislative mandate.
* Sections 5.1(e,f,h, & I), specifying allocations from the Pooled Technology Account. The Governor stated that the projects named in these four items will be eligible for dollars from the larger pool that results from this item veto. Additionally, the Information Technology Department (ITD) can accomplish more with the same dollars by combining these with similar projects in other departments, and this frees up funds for other projects. The projects and allocations include:

$312,000 for the justice data warehouse in the Division of Criminal and Juvenile Justice Planning of the Department of Human Rights.

$1.0 million for implementation of an enterprise data warehouse in the ITD.

$1.0 million for automation of the unemployment system in the Department of Workforce Development.

$250,000 for the e-commerce electronic licensing project in the Department of Agriculture and Land Stewardship.



* A portion of Section 5.1(j) prohibiting the ITD from spending any Pooled Technology Account funds on asynchronous transfer mode (ATM) technology conversion of the Iowa Communications Network (ICN), an Enterprise Resource Planning System, or digital broadcasting facilities for Iowa Public Television. The Governor stated that this provides the ITD with flexibility to pursue important projects which were recommended by the Information Technology Council and which will provide important savings and benefits to Iowans.
* A portion of Section 5.2 exempting the University of Northern Iowa (UNI) from consulting with the ITD to make sure that purchases and contracts for the 21st Century Learning Initiative are compatible with other State agencies. The Governor stated that Initiative will develop a digital library of electronic curriculum that will be available to educators and libraries across the State and for this reason, it is appropriate to ensure that the technology used will be compatible across State and local organizations, including the State and Regional Libraries.
* A portion of Section 8 requiring that any fees collected by the Judicial Branch for online information transactions be deposited into the Pooled Technology Account. The Governor stated that the proper place for fees collected from IowAccess Internet sites is the IowAccess Fund.
* Section 9 amending Section 260A.1(1), Code of Iowa, by replacing existing language with language specifying that Pooled Technology Account funds may be used for the Community College Vocational-Technical Technology Improvement Program. The Governor stated that while he supports improvement of community college technology and recommended funding it at a higher level, the Pooled Technology Account is not the source of money he recommended for this Program.

**Copies Available**  Copies of the enacted version of HF 719 and the veto message are available upon request from the Legislative Fiscal Bureau. The veto message can be found on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Glen Dickinson (Ext. 14616)

Governor Item Vetoes HF 742 - Infrastructure Appropriations Bill



**Item Vetoes – HF 742** The Governor item vetoed and signed HF 742, the Infrastructure Appropriations Bill, on May 29. The Bill appropriates a total of $147.3 million in FY 2002. This includes $107.6 million from the Tobacco Settlement Trust Fund, $4.7 million from the Rebuild Iowa Infrastructure Fund, and $35.0 million from the Environment First Fund. The Bill also appropriates $41.4 million in FY 2003, and $25.2 million in FY 2004 from the Tobacco Settlement Trust Fund and the Rebuild Iowa Infrastructure Fund. The Governor vetoed a total of $740,000 in appropriations. The item vetoes include:

* A $90,000 appropriation from the Environment First Fund to the Department of Transportation for a Borrow Pit Redevelopment Project in Grundy County. The Governor stated that the appropriation was not recommended by the Infrastructure Advisory Committee and that there are other funding programs for recreational projects within the Environment First Fund. The Governor further stated that these funds should be dedicated to higher ranking State projects.



* A $400,000 appropriation from the Tobacco Settlement Trust Fund for the construction of a pedestrian bridge over Court Avenue on the Capitol Complex. The Governor stated that projects of higher priority were not appropriated at the recommended level and that these funds can be more appropriately used on these priorities in the next budget year.
* A $250,000 appropriation from the Tobacco Settlement Trust Fund for the purchase of property and design of a new State Patrol Post in Mason City. The Governor stated that while this project was included in the Five-Year Plan for Capital Projects, other higher priorities should be considered for funding, including a utility upgrade to the Toledo Juvenile Facility, and the renovation of units at the Anamosa Reformatory.
* Language that creates notice and bid requirements for local projects that receive Vision Iowa funding. The Governor stated that these requirements, since they are effective immediately, would jeopardize projects that have already received financial commitments and that it would be unwise to delay projects by imposing last minute requirements upon them.

**Copies Available** Copies of the enacted version of HF 742 and the veto message are available upon request from the Legislative Fiscal Bureau. The veto message can be found on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Dave Reynolds (Ext. 16934) Mary Beth Mellick (Ext. 18223)

This document can be found on the LFB web site:

http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm